

# Overview of Transportation Funding in Rhode Island

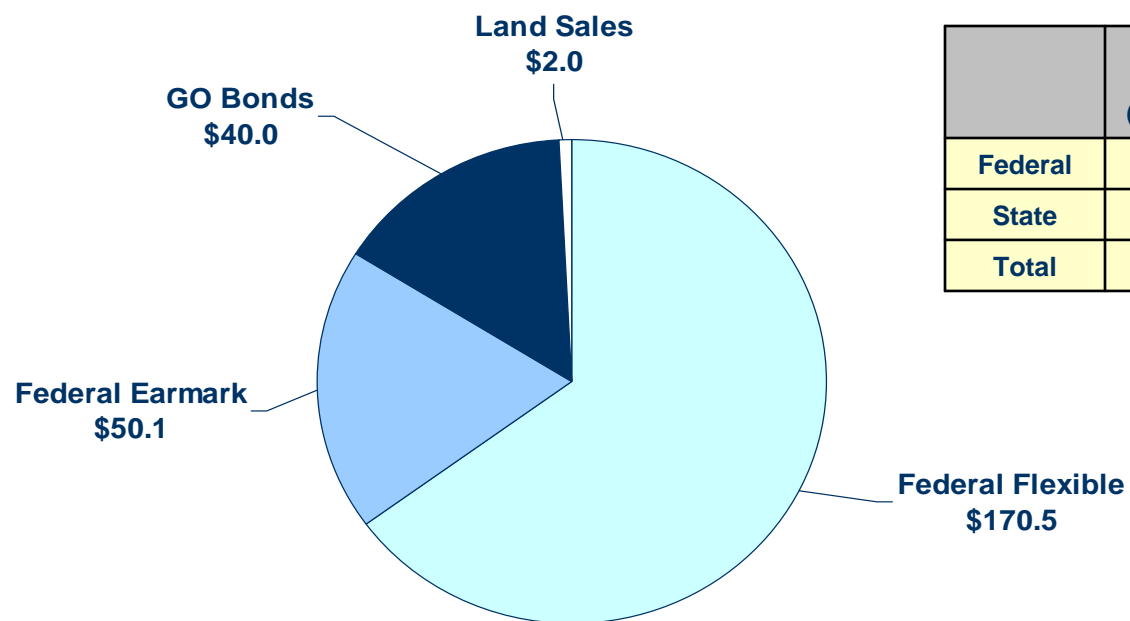
Governor's Blue Ribbon Panel

April 3, 2008

# Current State Financing of Transportation - Outline

- How the State Funds Highway Infrastructure Improvements
  - Federal Funds
  - State Funds Provided to Match Federal Funds - GO Bonds
  - GARVEE Program
- How the State Funds Highway Operations and Maintenance
  - Gas Tax
  - Federal funding of Preventive Maintenance & Overhead
- How the State Funds Mass Transit
  - Commuter Rail Service
  - RIPTA
- Highway Funding Needs Compared to Available Funding
  - 5 year comparison of prioritized projects to anticipated funding
  - Engineering needs assessment
- RIDOT Operations and Maintenance Funding Issues
- RIPTA Funding Issues

## How the State Funds Highway Infrastructure Improvements (Non-GARVEE Program)



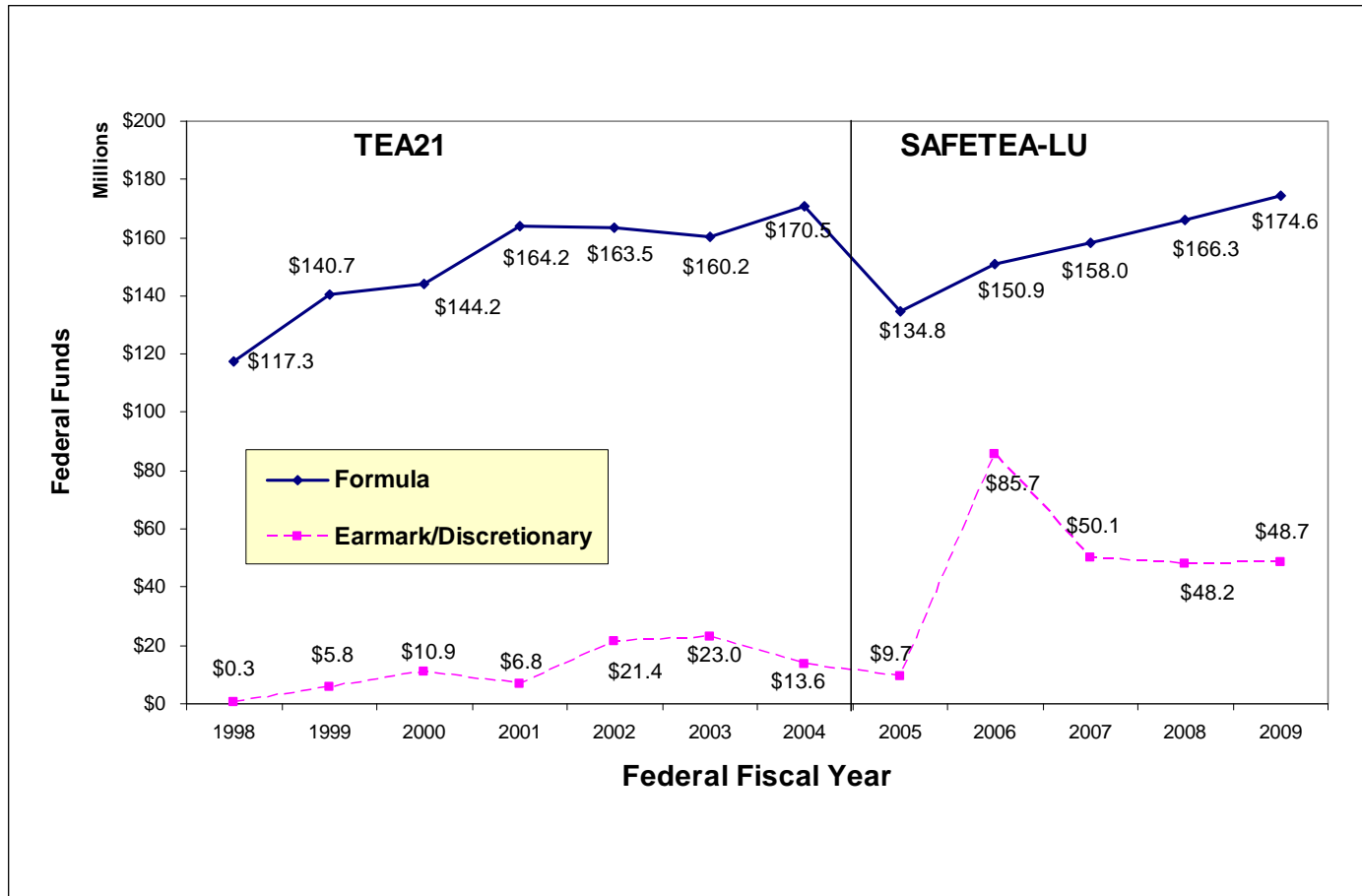
	Amount (Millions)	Percent
Federal	\$220.6	84.0%
State	\$ 42.0	16.0%
Total	\$262.6	

**2007 Revenue in Millions**

## Federal Funding for Highway Infrastructure Improvements

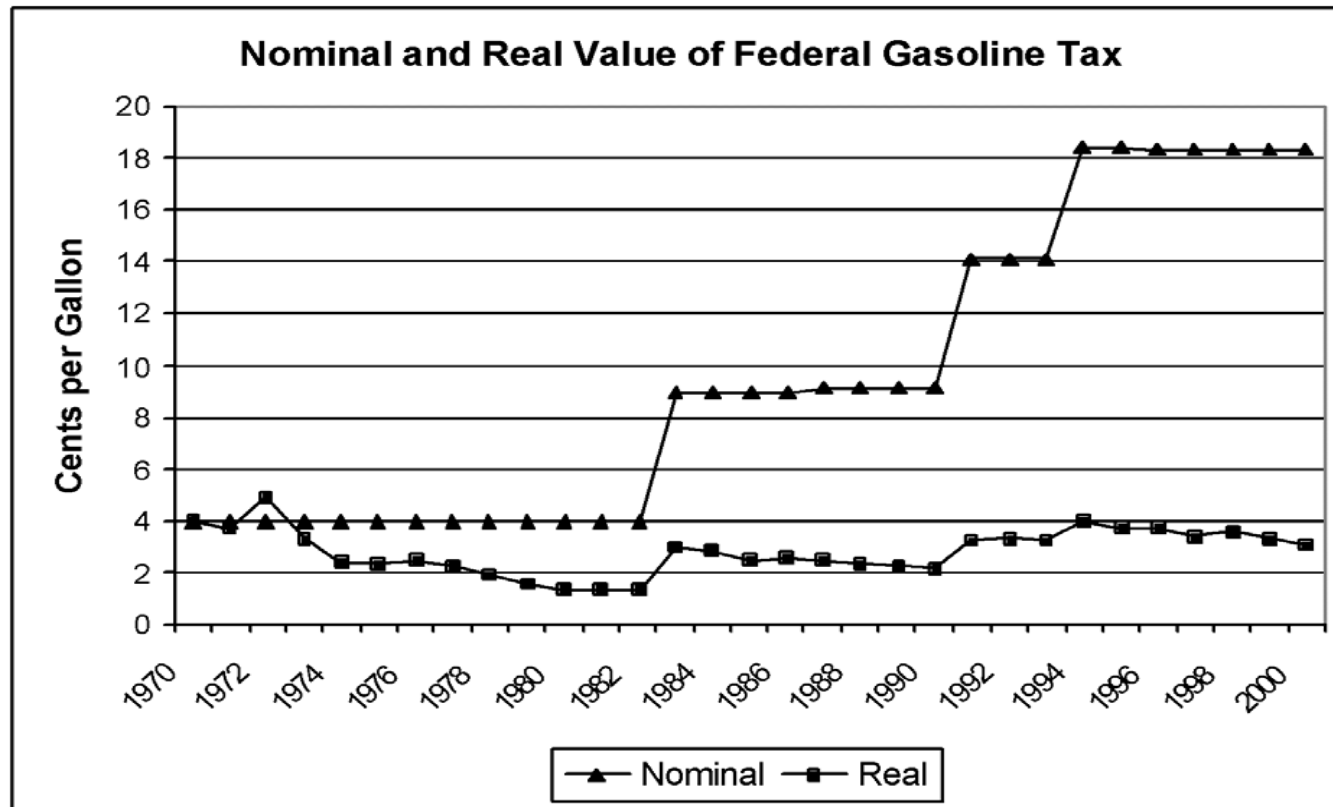
- Surface transportation program authorization bills establish framework for federal funding formula for each State's allocation of Federal transportation funding
  - ISTEA covering 1992-1997
  - TEA-21 covering 1998-2003
  - Continuation Resolutions covering 2004 - August 2005
  - SAFETEA-LU covering August 2005 -2009
- Annual appropriations bills establish the total amount to be allocated each year to each state (contract authority)
- All formula (flexible) funding contract authority must be authorized (assigned to projects) by a State in the federal fiscal year (October 1 to September 30) of appropriation or the funds are lost to other states
- Funding comes in a number of categories and subcategories based on project type including:
  - STP (rural and urban)
  - CMAQ (Air Quality)
  - Safe Routes to School
  - Research
  - NHS
  - Bridge (Off & On System)
  - Recreational Trails
  - Motor Carrier Safety
  - Interstate
  - Safety
  - Planning
- Earmarks are included in authorization bills as well as Annual Appropriations Bills
  - Earmarks in the Authorization Bills often reduce the flexible funding coming to the State
  - Unprecedented number of earmarks included in SAFETEA-LU
- Federal funding is received on a reimbursement basis
- Most Federal funding categories require a state match of 20% of the project's total cost

## Federal Funding Provided to Rhode Island

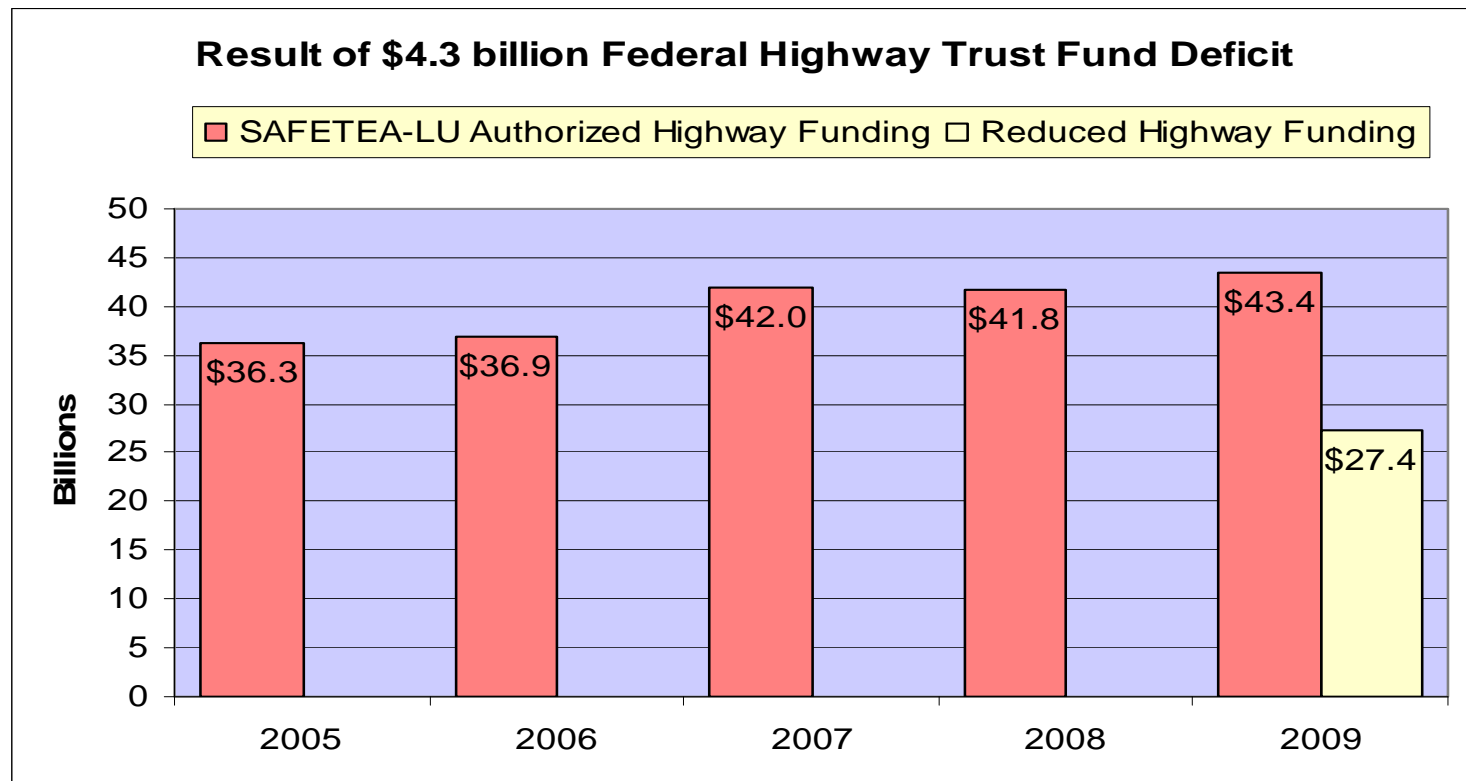


## Federal Highway Gas Tax

- Rhode Island receives about \$ 2.20 in federal highway funds for every dollar Rhode Islanders pay into the Federal Highway trust fund
- Federal Highway Trust fund receives revenue from motor fuel and other taxes
  - Federal Gas tax is 18 cents and has not increased since October 1, 1993



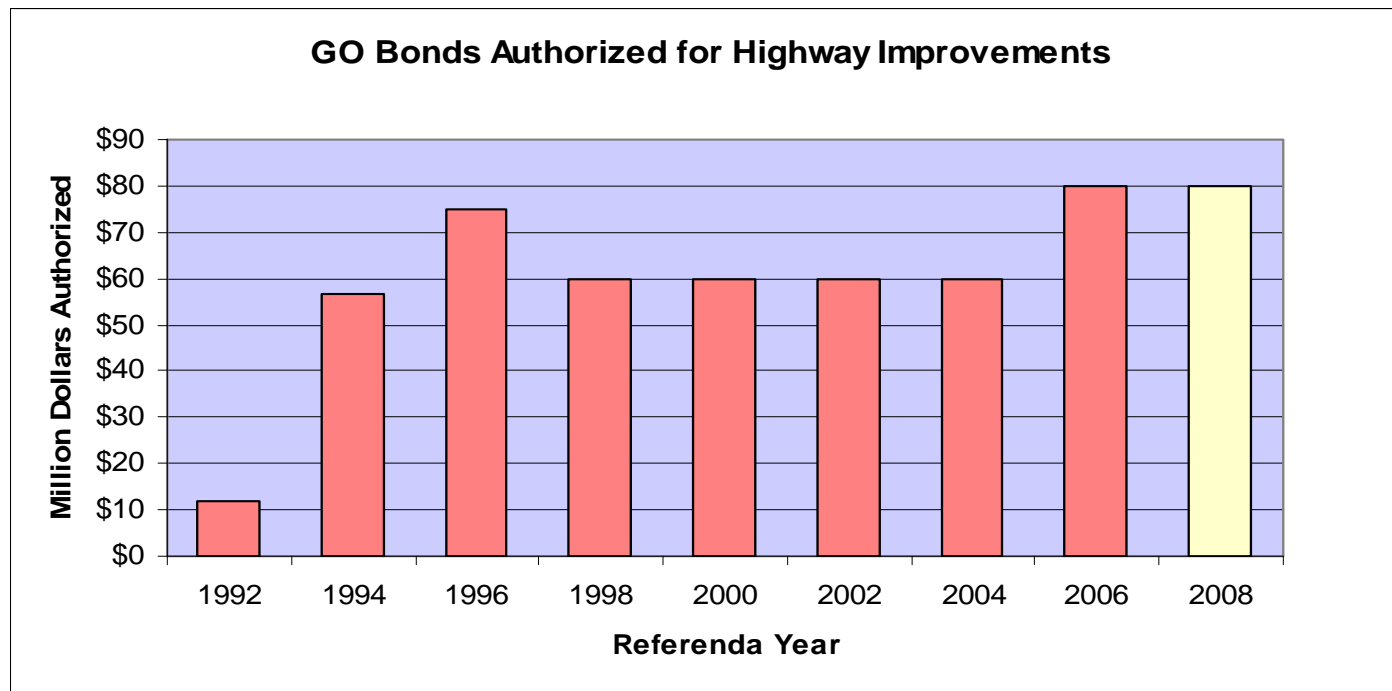
## The Looming Crisis – Federal Trust Fund Deficit



Federal Highway Funding Could be Reduced 36.9% in 2009

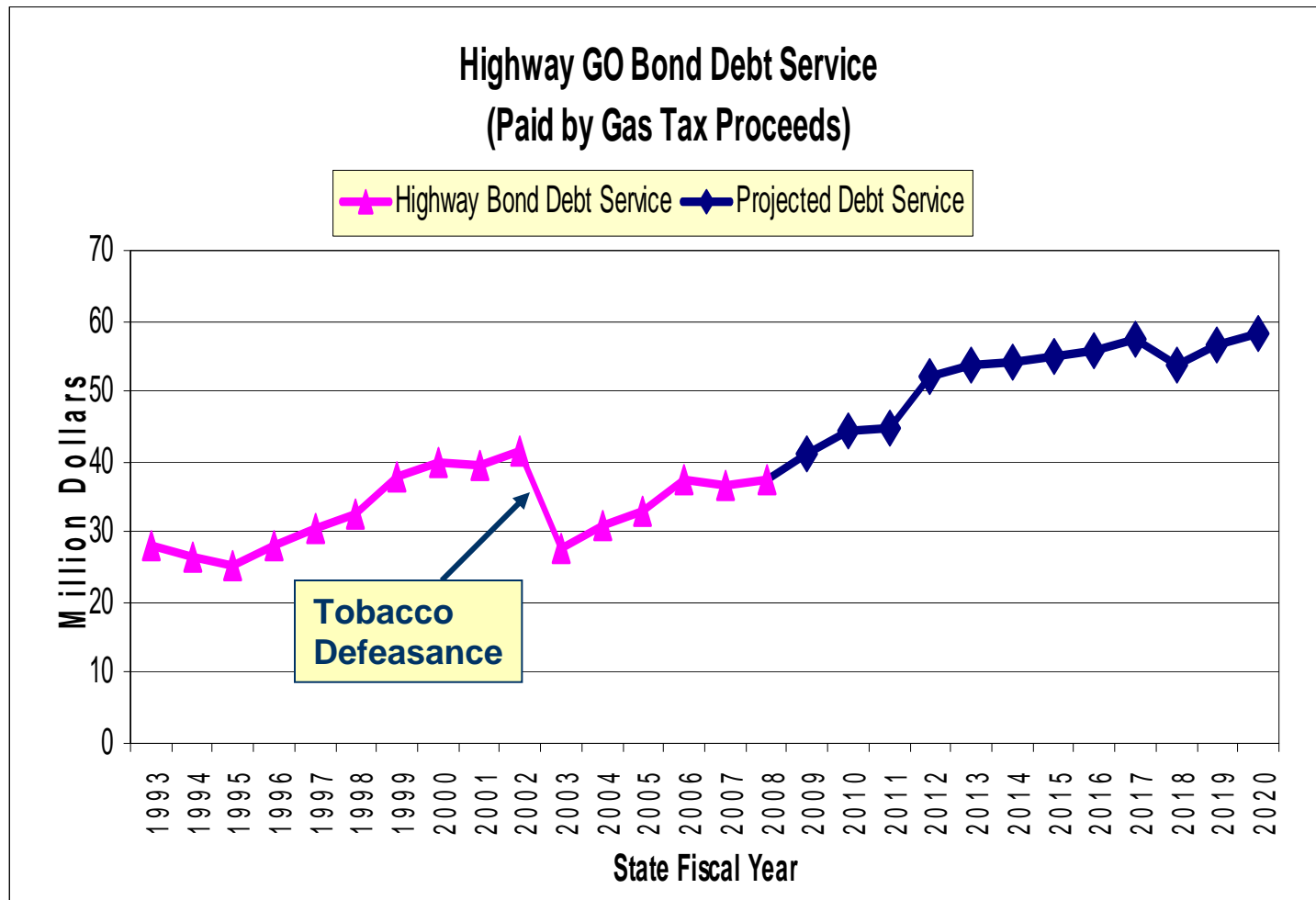
# State Funding for Highway Infrastructure Improvements

- There is no Highway Trust Fund
- State has chosen to utilize GO Bonds to match Federal Highway funds
- Amount of bonding is set at the minimum level needed to match federal funds
- Bonding requires voter approval every two years
- Debt service on bonds is paid by Gas Tax allocated to RIDOT





# Debt Service on Highway Bonds



# GARVEE Funding

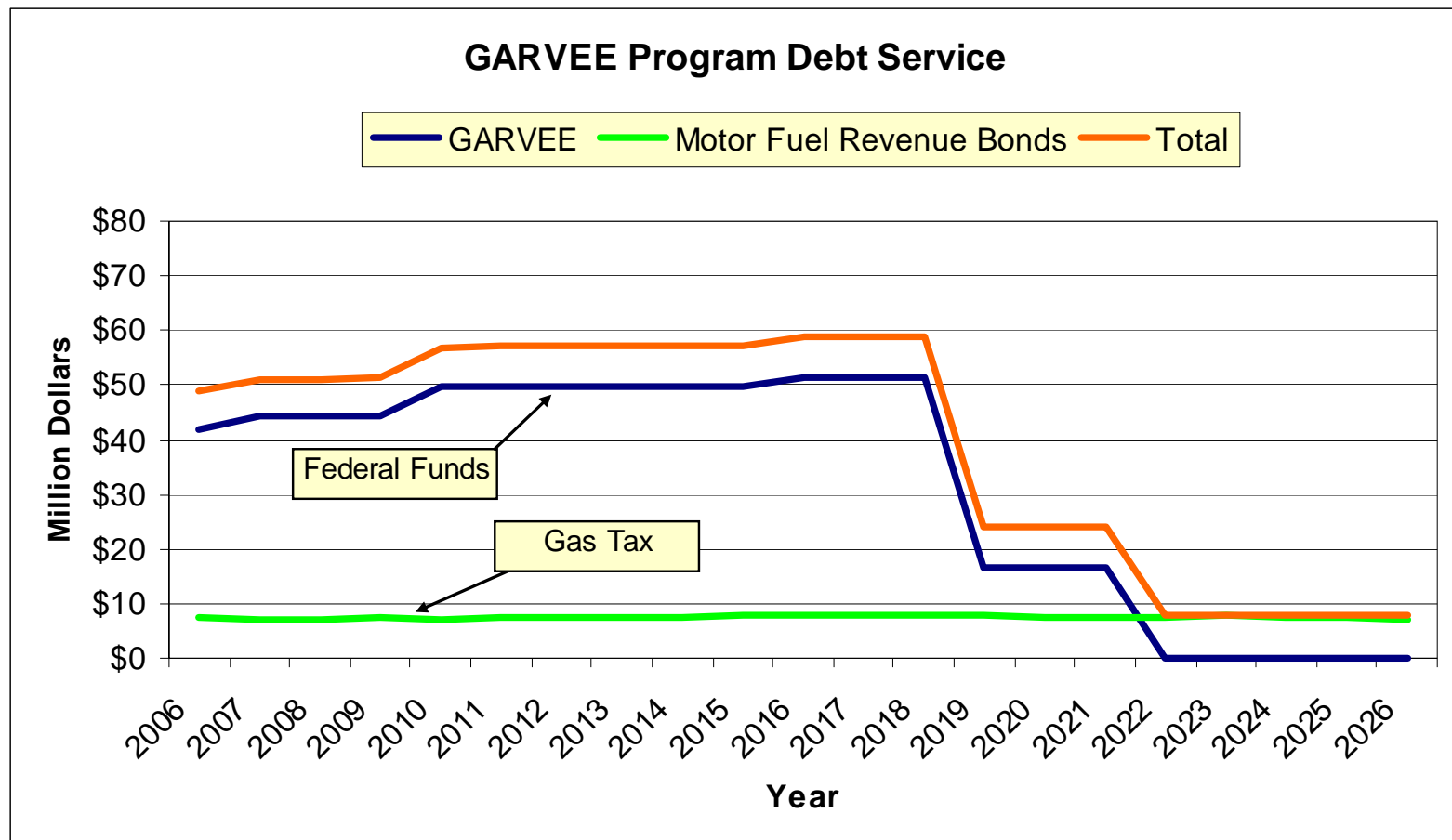
- Authorized by General Assembly in the 2004 Budget Bill
- Two Funding Components to GARVEE Program
  - GARVEE bond proceeds – Bonds backed by future Federal Highway Funds
  - Motor Fuel Revenue bonds – Bonds backed by 2 cents of the State's gas tax
- Speeded Implementation of Five Major Projects by providing \$662 million in immediate funding for those projects

	<b>GARVEE Bonds</b>	<b>Motor Fuel Tax Revenue Bonds</b>	<b>Total</b>
<b>I-195 Relocation</b>	\$275,298,909	\$68,707,200	<b>\$610,667,670</b>
<b>Quonset 403</b>	\$82,831,661	\$20,678,209	<b>\$192,460,384</b>
<b>Washington Bridge</b>	\$68,076,220		<b>\$68,076,220</b>
<b>Freight Rail</b>	\$29,495,581	\$7,371,443	<b>\$219,791,625</b>
<b>Sakonnet River Bridge</b>	\$88,081,980	\$21,963,624	<b>\$156,000,000</b>
<b>Total</b>	<b>\$543,784,351</b>	<b>\$118,720,476</b>	<b>\$1,246,995,899</b>

- Interest rates have been lower than the 5.1 % anticipated in the authorization legislation
  - In November 2003, the State issued \$270 million in GARVEE and Motor Fuel Revenue bonds which yielded a 3.52% and 4.04% interest rate respectively
  - In January 2006, the state made a second issue of \$227.4 million in GARVEE and Motor Fuel Revenue bonds which yielded a 4.12% and 4.48% rate respectively
- An additional bond issue of \$143.5 million is anticipated for FY 2009

# GARVEE Funding Debt Service

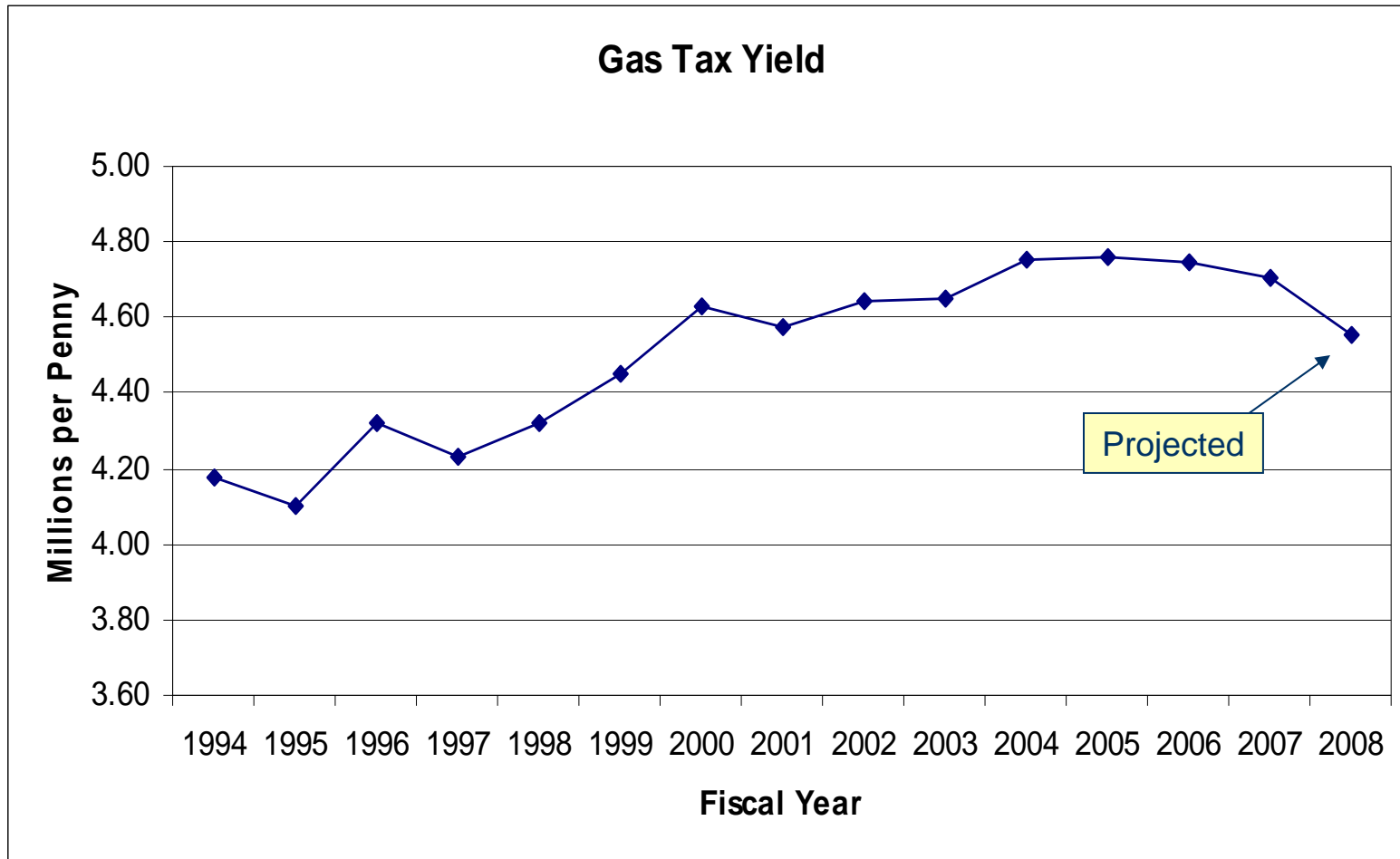
- GARVEE Debt Service will draw from Federal Funds through 2022
- Motor Revenue Bond Debt Service will draw from Gas Tax through 2026



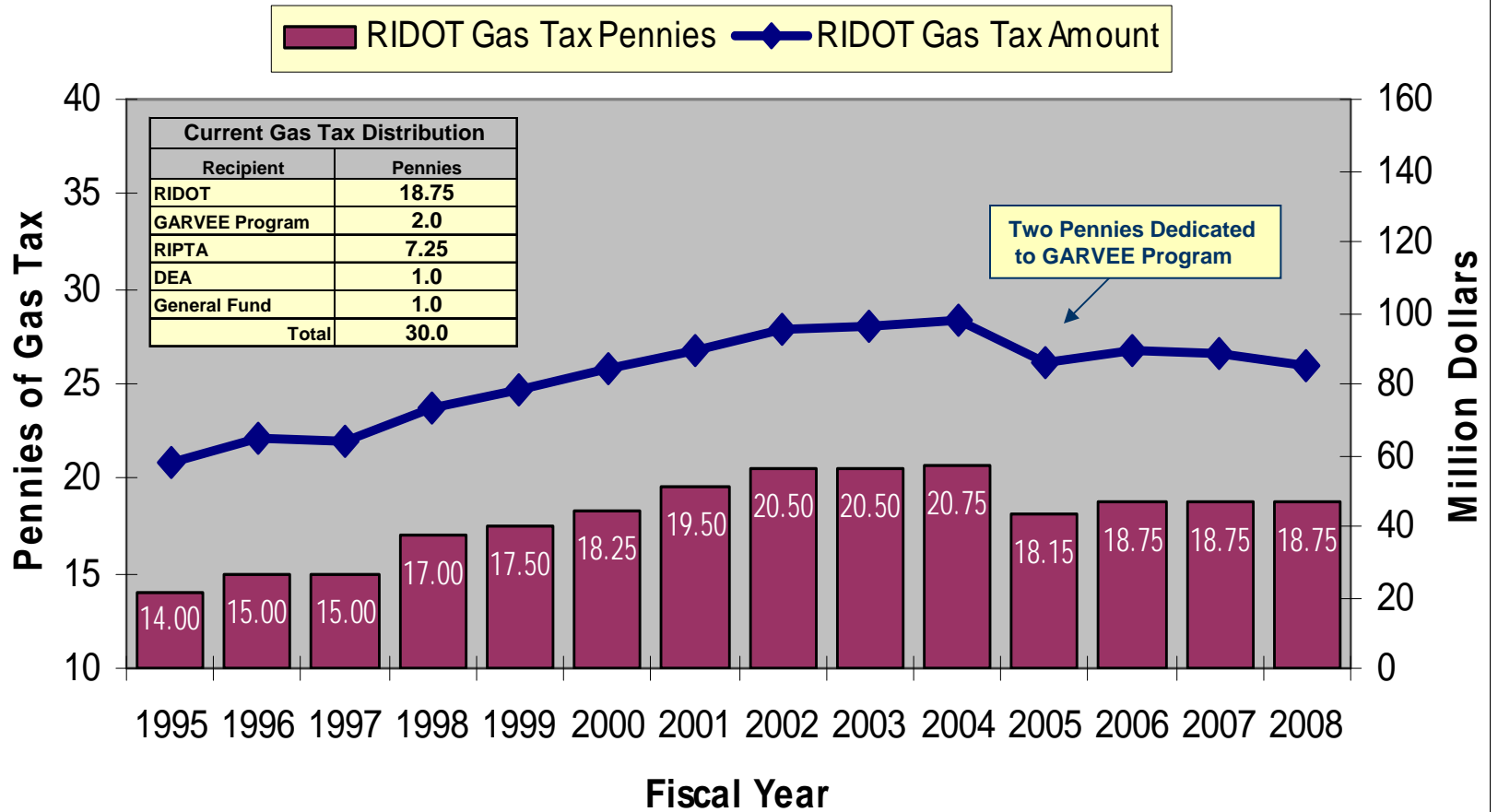
# How the State Funds Highway Operations and Maintenance

- RIDOT operating budget is based on RIDOT's share of Gas Tax – not need
  - RIDOT is provided its share of the Gas Tax after Winter Maintenance and Debt Service costs are subtracted
  - No General Funds - No Registry Fees – No Toll Revenue
- To balance the budget, operating and maintenance costs have been shifted to the capital program to obtain federal reimbursement including:
  - Salaries for employees directly working on federal projects
  - RIDOT overhead costs (\$7 million per year) via indirect cost recovery
  - Certain highway operational and maintenance activities including:
    - Bridge inspection and bridge washing
    - Transportation Management Center operations
    - Pavement striping
    - Damaged hardware repair (guardrail, fencing, impact attenuators)
    - Crack sealing and thin surface overlays
    - Traffic signal and lighting repairs
- Capital Improvements to Maintenance Facilities
  - Historically, GO bonds were utilized
  - RI Capital Funds are now being used as well
- Maintenance Rolling Stock
  - Debt financing used with debt service paid from operating budget (Gas Tax)

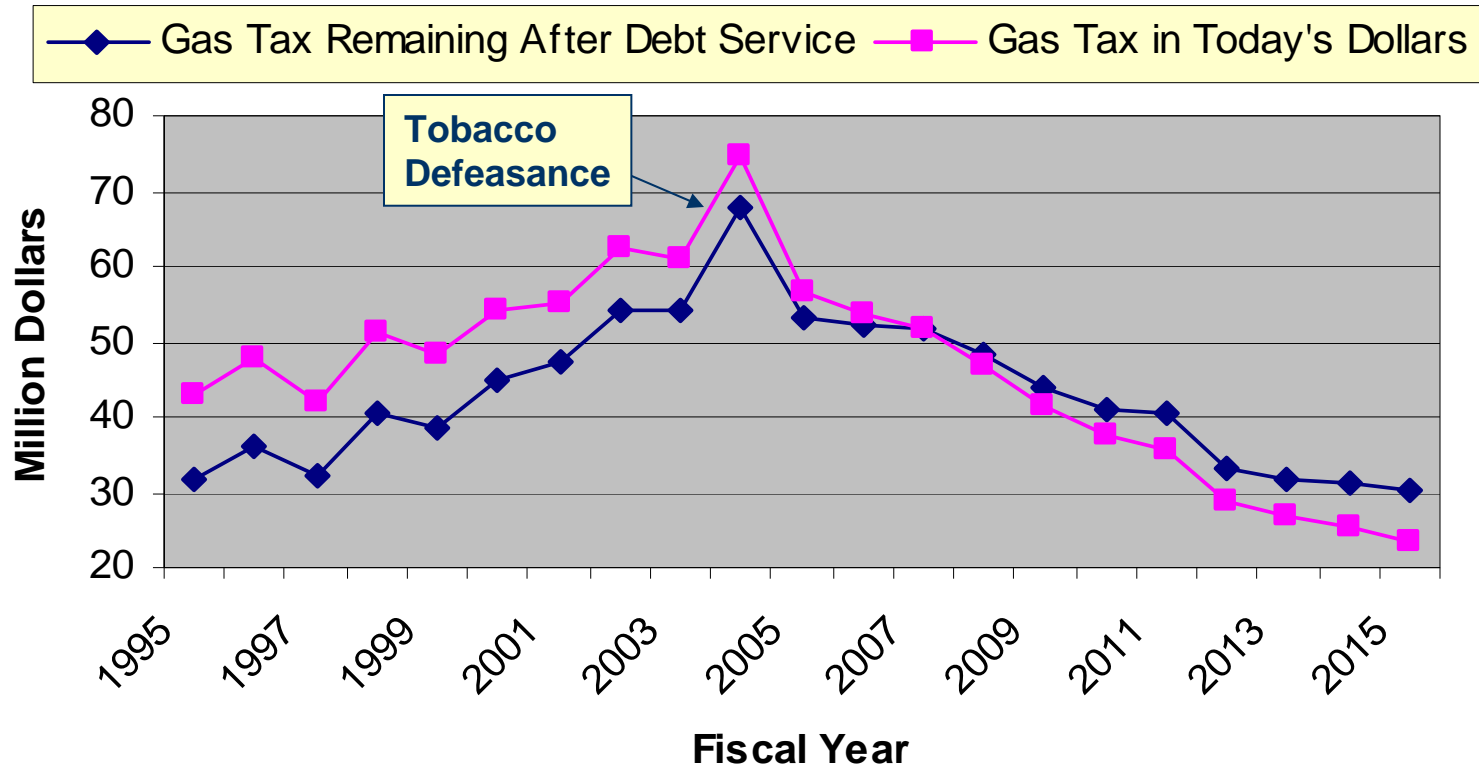
## Another Looming Problem



## RIDOT Gas Tax Pennies & Yield



## RIDOT Gas Tax Available After Debt Service



**2009 – 2015 Assumptions:** Yield remains constant  
Inflation = 3% annually  
Gas Tax Distribution remains the same

# Commuter Rail Funding

- Federal Transit Administration (FTA) provides the majority of the federal funding for the State's Commuter Rail Program
- Rail Service to Providence is funded through the Pilgrim Partnership Agreement with the MBTA
  - RIDOT used FTA funds to purchase commuter rail coaches and develop the Pawtucket Layover Yard in exchange for service through FY 2009
  - RIDOT is working to extend service to Wickford Junction using the following funds:

Wickford Junction Rail Project Funding (Millions)	
FTA New Start (Discretionary)	\$24.90
FTA Rail Modernization (Formula)	\$8.44
SAFETEA-LU Earmark	\$3.96
FHWA Funds (CMAQ)	\$2.40
Highway GO Bonds	\$1.59
Transit GO Bonds	\$8.33
Total	\$49.62

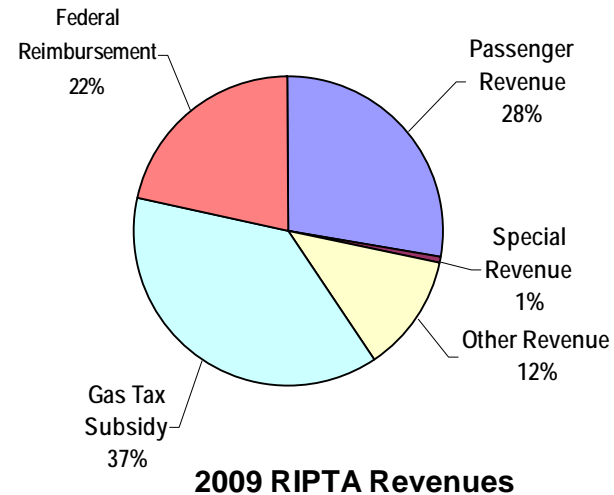


- New rail service will incur ongoing operating expenses such as AMTRAK access and inspection fees, MBTA operating costs and insurance fees
  - Farebox, FTA and FHWA CMAQ funds will be utilized where allowed
  - Other funding remains to be identified
- FTA and FHWA planning funds are being used to study the extension of rail service to other locations on the northeast corridor in Rhode Island including Cranston, East Greenwich, West Davisville, Kingston and Westerly



# RIPTA Funding

RIPTA 2009 Revenues	
Passenger Revenue	\$25,783,637
Special Revenue	\$614,100
Other Revenue	\$11,409,615
Gas Tax Subsidy	\$35,167,400
Federal Reimbursement	\$20,188,078
	<b>\$93,162,830</b>



- **Passenger Revenues**
  - 56% Rlte Care (RIPTA expects to lose \$5-7 million in revenue from Rlte Care in FY 2009)
  - 27% Cash, tickets and Pass Sales
  - 10% DEA gas tax for senior rides
  - 7% UPass (University pass program)
- **Special Revenue – Advertising and rent**
- **Other Revenue – interest income; reimbursements for centralized maintenance of paratransit vehicles, maintenance of RIDOT vehicles, and reimbursement for the Rlde paratransit services**
- **Gas Tax – 7.25 cents/gallon**
- **Federal Reimbursement – preventive maintenance reimbursement and planning salaries**